GA 1.13:HRD-82-9/sum.

US GOVERNMENT PUBLICATIONS (depository)
General Accounting Off
Legislative...changes...welfare recipients' income...1982

Feb 83-4797
1 of 1
p.0001-0009

READEX

JAN 28 1982

GAO/HRD-82-9/Summ.

546-D

BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

Legislative And Administrative Changes To Improve Verification Of Welfare Recipients' Income And Assets Could Save Hundreds Of Millions

Underreporting of income and assets by recipients of benefits from needs-based programs--whether deliberate or otherwise--results in hundreds of millions of dollars in improper payments each year. Current verification requirements and practices are not adequate to prevent such payments. Verification requirements vary widely, but generally are extremely vague or overly restrictive. Furthermore, some Federal laws and regulations preclude the use of information which, if available, would significantly enhance the verification process.

GAO recommends that the Congress eliminate the present restrictions on the use of certain data for verifying eligibility and determining benefit amounts in needs-based programs.

COMPLETED
9

HRD-82-9
JANUARY 14, 1982

NOTE TO RECIPIENTS

This summary includes the cover, digest, and table of contents of a GAO report. You may obtain a copy of the complete report by following the instructions below.

For sale by:

Superintendent of Documents
U.S. Government Printing Office
Washington, D.C. 20402

Telephone (202) 783-3238

Members of Congress; heads of Federal, State, and local government agencies; members of the press; and libraries can obtain GAO documents from:

U.S. General Accounting Office
Document Handling and Information
Services Facility
P.O. Box 6015
Gaithersburg, Md. 20760

Telephone (202) 275-6241

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

LEGISLATIVE AND ADMINISTRATIVE CHANGES TO IMPROVE VERIFICATION OF WELFARE RECIPIENTS' INCOME AND ASSETS COULD SAVE HUNDREDS OF MILLIONS

D I G E S T

GAO identified 58 federally supported programs which provide benefits to needy individuals and families. These programs cost about $81 billion in fiscal year 1978, the latest information readily available when we compiled the data. Need is primarily determined based on the amount of an individual's or family's income and assets. When applicants or recipients do not report or underreport their income and assets and the impropriety is not detected, an overpayment occurs.

Because of concern over improper expenditures in these needs-based programs, the Chairman, Subcommittee on Intergovernmental Relations and Human Resources, House Committee on Government Operations, asked GAO to review the manner in which income and asset information is used and verified by agencies administering the programs.

GAO based its review on 6 of the 58 programs which cost about $48 billion in fiscal year 1978: Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), Medicaid, and Title XX Social Services, all under the jurisdiction of the Department of Health and Human Services (HHS); Food Stamp under the Department of Agriculture (Agriculture); and Section 8 Housing under the Department of Housing and Urban Development (HUD). The Office of Management and Budget (OMB) has oversight responsibility for the agencies' operation of these programs. In October 1980, a Presidential task force directed by OMB reported on possible eligibility simplification and improved verification in the six programs GAO reviewed.

EXTENT OF OVERPAYMENTS

The exact amount of overpayments caused by recipients not properly reporting income and assets is unknown. However, fiscal year 1978-79 estimates for five of the six major programs place the amount of such overpayments at $867 million annually--$639 million Federal and $228 million State funds. (See p. 1.)

EXISTING VERIFICATION SYSTEMS

Federal laws and regulations provide varying and generally minimal requirements for income and asset verification for programs not directly administered by the Federal Government. (See p. 8.)

Information on income and assets is verified primarily using manual processes, such as inspections of documentary evidence provided by the applicants and recipients. Automated verification systems are used largely during periodic checks of recipients' continued eligibility; however, the systems GAO identified are used to verify income only, not to verify the ownership of assets. (See p. 8.)

Some Federal and State data are readily available for use by agencies to establish eligibility or to ensure continued eligibility and correct benefit amounts for needs-based programs. Other information that would be valuable for verification purposes is not readily available, and some useful information is not available at all. GAO recognizes that costs would be incurred to make such data available for verification but believes the benefits would significantly outweigh these costs. (See p. 14.)

AVAILABILITY AND USE OF WAGE DATA

Unreported or underreported wages is one of the principal causes of overpayments in needs-based programs. There are three automated sources of wage data that could be useful to program managers in verifying information reported by applicants and recipients--one at the State level and two at the Federal level. (See p. 14.)

In 38 States, wage data are reported to State employment agencies for each employee quarterly and are generally acknowledged to be the best wage information for verification purposes in administering Federal and State needs-based programs. These wage data are being used extensively by many of the 38 States; however, some uses may be in conflict with current Federal law. (See pp. 14 and 15.) While 38 States require employers to report wages paid to each employee, the other 12 collect only gross payroll information.

The Department of Labor does not have the legislative authority to require the 12 States to collect data on each employee. Another limitation on the State wage data is that they do not include Federal employees, the military, and the self-employed. (See p. 16.)

One Federal source of automated wage data on Federal and non-Federal employees, the military, and the self-employed is the Social Security Administration (SSA). Beginning in October 1979, SSA was required to furnish wage data to the States for the AFDC program, but was unable to provide comprehensive 1979 data until July 1981. The usefulness of these data is diminished because of its age by the time SSA has it available for use, and because the Tax Reform Act of 1976 precludes use of the data in State-administered programs other than AFDC and Food Stamp. (See p. 17.)

The other Federal source of automated wage data is the Office of Personnel Management (OPM), which maintains data on the salaries of Federal civilian employees. Although these data could be used by Federal and State agencies under present legislation, they are being used in only one program GAO reviewed--SSI, which is administered by SSA. (See p. 18.)

USE OF THE INTERNAL REVENUE SERVICE DATA

Financial data, such as interest and dividend income, in the Internal Revenue Service's (IRS') Information Return Processing File would be useful in verifying income and assets in welfare programs. Because of the concerns about individual privacy, however, exchange of these data is prevented by the Tax Reform Act of 1976. (See pp. 18 to 20.)

USE OF SSA BENEFIT DATA

SSA data on Social Security and SSI recipients are available to State and local entities administering needs-based programs. The use of these data, however, varies considerably among the States and among the individual programs within States. While SSA benefit data are also available for use in the Section 8 Housing program, local managers of the program have no automated system for obtaining this information. (See p. 20.)

NEED FOR SOCIAL SECURITY NUMBERS

The automated wage data bases and the IRS data are all accessed using a social security number (SSN). When a welfare recipient file is also accessible through an SSN, direct comparisons between the welfare file and the automated data bases are facilitated. The Federal Government requires that applicants for some, but not all, programs provide an SSN as an eligibility condition. (See p. 22.)

RECIPIENT-SUPPLIED FEDERAL INCOME TAX RETURNS

One nonautomated data source that could be used to verify recipients' alleged income and assets is recipient-supplied Federal income tax returns. For nongovernmental administering agencies, such as Section 8 Housing managers, the use of Federal income tax returns as a verification technique has a strong potential. (See p. 22.)

RECOMMENDATIONS TO THE CONGRESS

GAO recommends that the Congress:

--Amend the Federal Unemployment Tax Act to require that all States collect individual wage information on a quarterly basis for use in their unemployment insurance programs and in federally funded needs-based programs.

--Delete section 303(d) of the Social Security Act that restricts the use of State wage data to only the Food Stamp program.

--Amend the Tax Reform Act of 1976 to permit disclosure of data on individual wages, net earnings from self-employment, and payments of retirement income maintained by SSA to Federal, State, and local agencies administering federally funded needs-based programs, whenever comparable data are not available at the State level.

--Amend the Tax Reform Act of 1976 to permit disclosure of the IRS Information Return Processing File data on sources and amounts of unearned income to Federal, State, and local agencies administering federally funded needs-based programs.

--Require that SSNs be obtained for applicants and recipients of federally funded needs-based programs where not already required.

RECOMMENDATIONS TO AGENCY OFFICIALS

If the Congress provides for the release of data as recommended above, GAO recommends that the Director, OMB:

--Identify which of the 58 federally funded needs-based programs should use SSA wage, self-employment earnings, retirement income, and benefit data; OPM wage data; State wage data; and IRS information return data.

--Direct that all Federal departments and/or agencies responsible for the needs-based programs issue regulations to require the use of these data with appropriate safeguards and that they establish mechanisms to monitor the use of the data.

If the Congress does not provide for release of the data as recommended, then OMB should carry out these recommendations for the data that are already available.

GAO is also recommending to the Secretaries of Agriculture, HHS, and HUD that, for their programs GAO reviewed, they acquire and use currently available data to verify applicants' and recipients' income and assets. (See p. 28.)

GAO believes that implementing its recommendations would avoid a substantial part of the estimated $1 billion fiscal year 1982 welfare overpayments caused by recipients not properly reporting their income and assets. (See pp. 1 and 28.)

AGENCY COMMENTS

GAO requested comments on a draft of this report from Agriculture, HHS, HUD, Labor, IRS, OMB, and OPM. Comments from all the agencies except HUD and OMB are included in appendix IV. Comments from these two agencies were not received in the allotted time to be reproduced in the report.

The agencies concurred in general with GAO's recommendations, but some expressed reservations and/or made suggestions about additional data sources that could be used for verification purposes and other programs that could benefit from data exchange. GAO's evaluation of the agencies' comments appears in chapter 4.

Contents

CHAPTER		Page
	DIGEST	i
1	INTRODUCTION	1
	Objective	1
	Nature of welfare programs	2
	Estimates of improper payments	4
	Definition of verification	5
	Scope and methodology of review	6
2	ELIGIBILITY DETERMINATIONS AND VERIFICATION REQUIREMENTS IN THE SELECTED PROGRAMS	8
	Overview of the SSI program administered by the Federal Government	8
	Overview of programs administered by State and local welfare agencies	9
	Role of the Federal Government in the State-administered programs	10
	AFDC	10
	Food Stamp	11
	Medicaid	12
	Social Services	12
	Overview of the Section 8 Housing program administered by non-Federal third parties	13
3	THE FULL POTENTIAL OF INCOME AND ASSET VERIFICATION TECHNIQUES IS NOT BEING REALIZED	14
	Availability and use of wage data	14
	State wage data	14
	SSA wage data	17
	OPM wage data	18
	Availability and use of IRS data	18
	Availability and use of SSA benefit data	20
	Inconsistent use being made of SSA benefit data	21
	Use of SSNs in automated verification systems	22
	Possible use of Federal tax returns obtained from recipients	22
	Conclusions	23
	Recommendations to the Congress	25
	Recommendations to the Director, OMB	27
	Recommendations to the Secretaries of Agriculture and HHS	28
	Recommendations to the Secretary of HUD	28
	Budgetary impact of our recommendations	28

CHAPTER		Page
4	AGENCY COMMENTS AND OUR EVALUATION	30
	Agriculture	30
	Use of wage data	31
	Use of BENDEX and SDX	31
	Mandating data matching	32
	HHS	32
	OPM	33
	OMB	33
	HUD	35
APPENDIX		
I	Inventory of cash and noncash benefit programs for persons with limited income--fiscal year 1978	37
II	Matrix of the six major needs-based programs selected for detailed review	47
III	GAO reports relating to income and asset verification in the selected programs 1975-81	48
IV	Agency comments	
	Agriculture	52
	HHS	57
	IRS	61
	Labor	63
	OPM	64

ABBREVIATIONS

AFDC	Aid to Families with Dependent Children
BENDEX	Beneficiary Data Exchange
FNS	Food Nutrition Service
GAO	General Accounting Office
HCFA	Health Care Financing Administration
HHS	Department of Health and Human Services
HUD	Department of Housing and Urban Development
IRIS	Intergovernmental Recipient Information System
IRP	Information Return Processing
IRS	Internal Revenue Service
OMB	Office of Management and Budget
OPM	Office of Personnel Management
RSDI	Retirement, Survivors, and Disability Insurance
SDX	State Data Exchange
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	Social Security Number